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APRIL 1, 1991 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.50

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FOLIO: THE MAGAZINE FOR MAGAZINE MANAGEMENT is published 12 times per year. In addition to the 12 regular monthly issues, FOLIO: SourceBook is published annually.

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FOLIO: THE MAGAZINE FOR MAGAZINE MANAGEMENT is published by Cowles Business Media, 6 River Bend, P. O. Box 4949, Stamford, CT 06907-0949. 203-358-9900. Fax: 203-357-9014. And 232 Madison Ave., Suites 1500 (Editorial) and 1409 (Advertising), New York, NY 10016. 212-683-3540. Faxes: 212-683-3986 (Editorial) and 212-683-4072 (Advertising). For reprint information, contact Laura Selway, ext. 343. Minimum—100 reprints.

Cowles Business Media, an affiliate of Cowles Media Company, also publishes Catalog Age, Inside Media, FOLIO:'s Publishing News and Direct.

Subscriptions: U.S.—1 year (12 issues), $68; 2 years (24 issues), $108; 3 years (36 issues), $143. Canada and Mexico—1 year (12 issues), $82; 2 years (24 issues), $132; 3 years (36 issues), $172. Foreign (air only)—1 year (12 issues), $144; 2 years (24 issues), $270; 3 years (36 issues), $384. Single copies of most past issues, $8. Special issues cost more. European subscriptions: Euromedia Amsterdam, Euromedia Projekten, Leidsegracht 94, 1016-CS Amsterdam, The Netherlands. Postmaster: Please send address changes to FOLIO:, P. O. Box 4294, Stamford, CT 06907-0949. ISSN 0046-4333. Second class postage paid at Stamford, Connecticut, and additional entry points.

ABP The Audit Bureau Member MPA

Mining the recession for sales

Finding new profit strategies is as simple as following these 10 steps

There's no denying that the current economic situation is "ugly," in the words of Peter Craig, president of Magazine Consulting Group. But that doesn't mean all you can do is grit your teeth and close your eyes until it's over. Recessions end faster than they begin, and aggressive publishers are taking steps now to position themselves for the coming uptick.

Can't afford any "investment spending" right now, you say? Time to focus on cutting back, not growth? The advice of your colleagues is to look up from the ledger and take advantage of the situation. "If you pull back, cut those promotions, fire salespeople trying to save one or two dollars, you may not be able to recover quickly enough when the economy turns around," says Craig.

Make it work *for* you

What "golden opportunities" are hidden in this recession? First, it's an ideal time to find the strong and weak points in your sales team, an exercise that will strengthen the entire sales operation, making it more competitive as times improve.

"Sometimes, when business is good, you don't really know why it's good," comments Kevin Harold, senior vice president of sales for *Computerworld*. "Everything is a given. But in bad times, qualities are thrown in bold relief. Weaknesses become stark. But you can also recognize the jewels and hold them up."

Second, bad economic times provide the opportunity "to do things that should have been done in the first place," said magazine consultant Walter Joyce, some months before his death. "That office in Pittsburgh that isn't really economically viable even in good times—now you have the excuse to close it."

Recessions actually give managers a chance to stop and think about what makes sense, instead of doing what's always been done. At *Mirabella* both ad and editorial staffs used to attend the prestigious couture collections in Europe, but this year, editors went alone. Says Julie Lewit-Nirenberg, publisher, "During the collections, the designers really want to see the editorial people. Having the salespeople there is a luxury, since they can't really make sales calls. So we had them go two weeks later to make calls. It was a better use of their time."

Third, down times do create new sales opportunities, and it's important to look for them, notes Jeff Smith, advertising director of *Crain's New York Business*. "Things are slowing, yes, but things are also changing," he comments. Companies whose lending institutions have gone out of business or tightened their loan requirements, for instance, may be looking for new ones. Accounting firms that close their doors present new opportunities for their competitors. "It's a good time to get your message out there," he concludes.

What steps are publishers taking to tackle this economy and improve or maintain business? Here are 10.

BY JENNIFER HOWLAND

1 Take a refresher course in Selling 101

Get back to basic selling strategies during down times. "You have to get as close to your customer as possible," says Smith. And that means seeing people face to face. "You just can't do this with the fax and the phone." Salespeople have to find out advertisers' marketing and direct mail plans, and "see if we can help," he says. "You have to be informed and knowledgeable. Join industry associations, learn about your specific territories." Smith urges salespeople to get "full coverage" of their clients, to get to know the media planner on up to the CEO. If it's a large company, ask for referrals from one division to another, he suggests.

And, he cautions, *don't* talk about how things are going internally

We're digging deeper into existing business, rather than going after new ad product categories.
—John Wickersham, President, Bill Communications.

at your own company. "Customers don't want to hear your problems. You have to be focused on them."

Adds Don Vergara, director of sales and marketing for Telemedia U.S., an economy like this requires "a lot of hustling. You have to work harder, faster, to stay a step ahead of the competition, and you have to stay visible," he counsels.

2 Develop a team spirit

To keep up morale, keep open the channels of communication. "As a manager, you have to understand the situation your salespeople are in, and make everyone realize you're all in it together" says *Mirabella*'s Lewit-Nirenberg. "That helps morale tremendously."

"You have to communicate more personally with your staff," says Josh Gordon, of Gordon & Associates, a sales rep firm. "Don't close your door." Listen to problems, but don't commiserate with your sales staff. Instead, he says, "Offer a motivational, inspirational dialogue."

Most important, notes Lewit-Nirenberg, is to tell your sales force not to discuss the poor economy when they are in a client's office. "I don't want anyone going into a client's office and talking about how bad it is out there," she says. "The client's been around, and we have too. Businesses survive recessions. You want to figure out how you and the client can move forward together."

It can be surprising who advertises in a recession, says Amy Rappeport, publisher of *New York Woman*. "Sometimes, people who seem to have the least amount will tap into additional resources because they have someone there with a strong belief in this being an opportunity."

This may be harder for younger salespeople who haven't survived a recession, adds Lewit-Nirenberg. "People who haven't been through it don't know how to deal with it."

At *Computerworld*, Harold conducted a strength/weakness analysis with his sales force. "We went through and listed all the strengths and weaknesses of the publication.

WENDY BARROWS

In bad times, strengths and weaknesses are thrown in bold relief.
—Kevin Harold, Senior Vice President of Sales, Computerworld

There were 36 of them. Then we went through them again to make sure we understood what we were talking about. After that, we prioritized them in sets of three, until we had isolated the three greatest strengths and the three greatest weaknesses. We got consensus on that. Then we reviewed them and said what we could do, individually and as an organization, about them. It gave everyone a sense of ownership."

After the strength/weakness analysis comes real life, Harold says. "You come up with an agenda of what to do. Some things you can control and some things you can't, so you concentrate on what you can control." Once these things are done, "the bogeyman is cut down to manageable size," Harold explains. "Then good times and bad times aren't seen as a life-and-death matter."

3 Develop promotions that profit both the advertiser and the magazine

Understanding advertisers' needs and coming up with creative fixes for their problems takes more than lip service. It takes action. At *New York Woman*, every promotion must "move readers to registers," explains Rappeport. "Our magazine has the ability to make people walk in the front door of a retailer—and every promotion has to pass that litmus test." In this economy, she adds, "we scrutinize the effectiveness of what we do for advertisers 10 times more because that's what sells and holds advertising."

A promotion with a cosmetics manufacturer at Macy's that turned into a sales boost for the advertiser is a very convincing argument, she notes. "When advertising is inextricably linked to increasing their revenues, you become more vital to the advertiser, rather than an expense," she says.

A Christmas promotion with American Express, the magazine's owner, sent buses with shoppers on a loop around Manhattan, depositing them at key locations near stores, Rappeport says. All shoppers needed to get on the bus was a copy of *New York Woman* or an American Express card. (*For more on this subject, see "Merchandising's hidden value,"* FOLIO:*, September 1990, page 147.*)

4 Don't give in to pressure for deals

Talking in public about rate dealing is like asking who voted for Nixon the second time. If nobody did it, then why did he win? Publishers unanimously acknowledge rate cuts are a big problem, but everyone points to the other guy.

By all accounts, the pressure to give advertisers a deal—often a cut in rates—is greater than it has ever been. "Never in all my years in this business have I seen the kinds of demands placed on magazines as we see today," says Seth Hoyt, publisher of *Cosmopolitan*. "It predates the current economic softness, but has been building for the last couple of years. First it was merchandising, then rate adjustments, then waiving premiums. We're not in the negotiation business. We have to restate the fundamental values to get advertisers out of the discount mode."

Consultant Joyce was pragmatic, but worried. "In hard times, advertisers have a stronger hand and they demand more. But the Seven Sisters have no more room to give. They'll lose money on an ad page eventually."

JON GOELL METROWEST WMCA

The problem with bargaining on rates is that the magazine gets precariously close to break-even, notes Craig. "You discount to stay in business and make a smaller profit. It's better to break even than not have it. But the problem is that when good times return, it will be hard to get the full rate back."

Once you start, says Harold, you find you're having a fire sale. "What you end up doing is funding your competitors. The first-tier book can't negotiate price. You've set your own format and the client makes you adhere to the rules you've set. If you negotiate once, you find you've opened a window you can't close."

So the only thing left is to shift the discussion to merchandising. *Computerworld* offers to have its top executives attend education seminars it hosts and pays for, for particular advertisers. "It's expensive," Harold acknowledges, "but not as expensive as going off rate."

5 Forget image advertising

A similar concept, at *MPLS/St.Paul* magazine, emphasizes a "return on investment" program for advertisers, says Pat Mathews, advertising director. "We don't want our advertisers to do image advertising—we want them to advertise value and products, so they can see that their advertising works for them." Mathews' added-value program offers a column about new products and services; a retail-events calendar; counterboards in stores and overruns of ads. The publisher will even lend his name to an advertiser's mailing.

At Meredith, the concentration on "custom marketing" has paid off, reports Burt Boersma, senior vice president/magazine group. "It's brought in 40 percent more business in the last year (1990) than in the year before," he reveals. "I'd hate to think where we'd be without it."

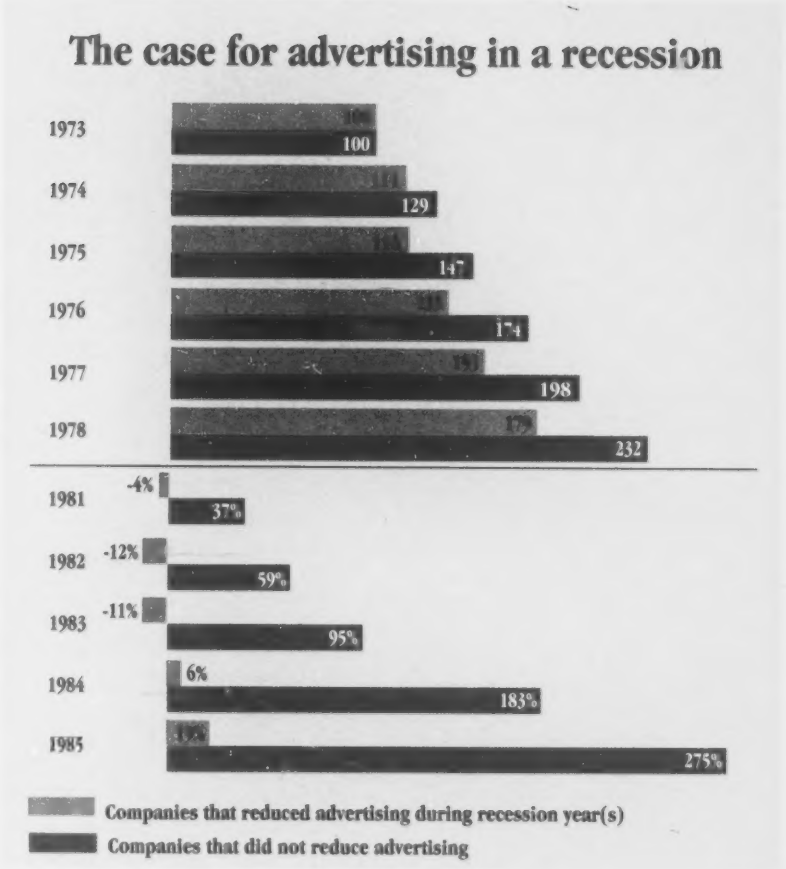
Agencies and clients are requesting help in developing a "big idea" with which to market their products, Boersma reports. "It's because agencies are looking for ways to cement their relationships with clients. They're also looking for ways to come up with promotion dollars, in the absence of more media dollars from advertisers," he suggests. "We provide a turnkey operation where we say, 'If you give us the assignment, we'll do it from start to finish.' "

In one such partnership with the Sherwin-Williams paint company, Meredith produced a book for paint customers, did a video to be sold in stores, and used its *Better Homes & Gardens* real estate network to disseminate material to buyers and sellers of homes. "This is a lot more than selling one four-color page, and it's the way the business is going," Boersma declares.

This type of selling requires going high into a company's management to get approvals. "These are multi-million dollar programs," he notes. Meredith formed a separate, sophisticated sales force to sell it. "Salespeople have to understand marketing and retailing and how things work at the point of sale."

6 Some winning techniques for winning advertisers

Short of such marketing extravaganzas, other magazines are coming up with more modest, but meaningful ways to snare new advertisers or keep old ones happy. At *Philadelphia Business Journal*, says Mary Huss, publisher, "we've hired a telemarketer" who is concentrating on selling smaller advertisers into banner pages. The page is divided into smaller spaces, about business card size, which are sold for a couple of



***The first instinct of your ad prospects** during a recession is to cut back on spending. But two studies of industrial advertisers conducted for McGraw-Hill show that companies that did not reduce advertising during recession years outsold those that did, both during and after the recession. The first study indexes 1973 sales of 468 advertisers at 100, charting growth from there. The second, of 600 advertisers, notes which ones reduced ad levels during the recessionary years of 1981 and 1982 and charts percentage sales growth after the recession levels.*

KATHERINE MARCIANTE

hundred dollars. The publication has also instituted a sixteenth-page size, which is offered only on a contract basis of 13 times a year. "It enables someone to run an ad for only $2,000 over the course of a year," she notes. "And it gets them to commit to a schedule."

At *Training Magazine*, 1 percent of revenues is devoted to customer audits to determine if editorial is meeting readers' needs, says Jerry C. Noack, vice president, group publisher of Lakewood Publications Inc. and the publisher of *Training*.

At Bill Communications, "We feel it's the time to concentrate on the people already advertising with us," says John Wickersham, president. "We're digging deeper into their business rather than going after new ad product categories."

You have to work harder, faster, to stay ahead of the competition. *—Don Vergara, Director of Sales and Marketing, Telemedia U.S.*

7 Find new ways to motivate your sales force

At *Computerworld*, any salesperson who gets a page in a designated "growth category" gets a bounty, or more than the regular commission, says Harold. He hands out a Crystal Knight Award, recognition for achievement in the way a presentation is made, rather than for an actual sale. One went to a salesman who "went out and talked to the advertiser's customers and did a presentation based on those customers' needs. In our business, vendors often are far removed from their customers by the distribution channel, and any information about the end-user is very relevant and helpful to them. What he did positioned *Computerworld* in a good light," says an obviously proud Harold.

Keeping up morale takes constant diligence. At the *Philadelphia Business Journal*, "We have the reps in for a 20 minute pep talk before 8 AM," Huss says. "We've also upped the requirements on the number of appointments people have to make every week. It's very nuts-and-bolts, but that's what it takes." She also has small incentive-building contests "for fun. We'll have appointment-setting contests, where you get $10, candy or lunch for two."

8 Don't lower expectations

Sales managers must guard against setting sights too low. In an effort to avoid demanding the impossible, "You can actually demotivate people by lowering their expectations," Gordon notes. "If someone sold 400 pages last year, and you tell them they only have to sell 350 this year—well, that's what they'll bring in, when they might have sold 375." In the absence of a lot of pages, "you redefine the win in terms of definable goals. Instead of selling that 100 pages, make the goal retaining market share. That way they can refocus on a goal, not on the gloom," he counsels.

A sales manager can also sell his or her sales force on the future. "Recessions don't last forever, and you can make them see that the effort applied today will pay off later," says Gordon. "If they increase market share from 35 to 37 percent, right now that may not translate into more pages. But in years past, 37 percent would have meant a considerable increase, and it will in the future. If they can maintain that edge, they will cash-in big tomorrow."

9 Protect base salaries and set realistic goals

"We don't change base salaries," says *Cosmopolitan*'s Hoyt, "but we do become much more realistic about goals, objectives and quotas. We try to set them more realistically in line with market conditions and with a greater knowledge on our part of the specific realities of the category or account."

Hoyt has also instituted a cash prize for the "sale of the month," which is awarded for the best sale—either a new account, most difficult renewal, the largest new piece of business or the biggest stretch, he says. "We used to give a plaque, but this year it's money that's getting people's attention." And of course, the recognition and accolades that go along with the award also have a positive effect.

10 Take heart from a success story

Publishers battling depression about page prospects can take heart from *Texas Monthly*, which experienced a Texas-style recession a few years ago, reports Jalaane Levi-Garza, ad sales director. "We didn't panic, we didn't negotiate rates or cut back on the product quality or let our circulation file falter. We concentrated on creating marketing partnerships with our advertisers, going after non-traditional advertisers, and maintaining a quality editorial product and circulation. And in 1990 we closed up 15.7 percent in revenue. It's been a lot of hard work, but business is good. We weathered the storm and gained market share."□

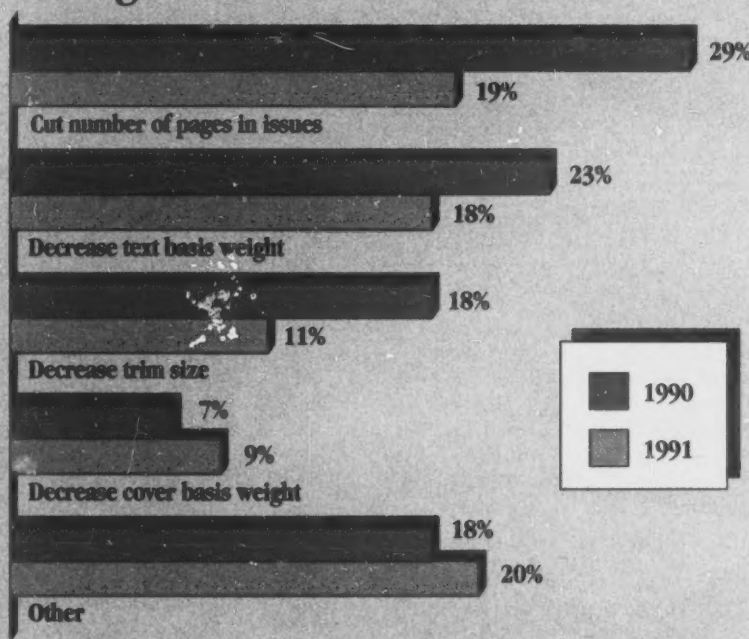
Jennifer Howland is a Norwalk, Connecticut-based freelance writer specializing in the business media.

WENDY BARROWS

And the survey says...

FOLIO: readers were asked what they're doing to hold down costs while holding on to readers and advertisers. In a nutshell, they're cutting pages but keeping color. They're looking for more sophisticated services from their printers and adopting some high-tech mailing options. And they predict that production inflation will be 5.1% this year. Here's the scoop.

Cutting costs: How and when



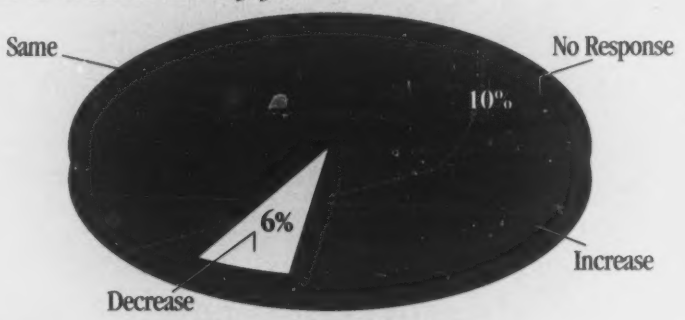
Is this the year of the incredible shrinking magazine? *Over half of respondents reported some kind of downsizing—most by cutting pages or decreasing basis weight. Others decreased their trim size, tightened their ad:edit ratio, decreased frequency or cut circulation. While cutting costs remains a priority, the rate is slowing, so 1991 should be a bit more upbeat.*

SONO DESIGN

Q. How often do you formally bid your magazine to other printers?

A. 30% said every three years.
23% said every two years.
19% said every year.
11% said after five or more years.

Percent increase/decrease in 4-color in 1990



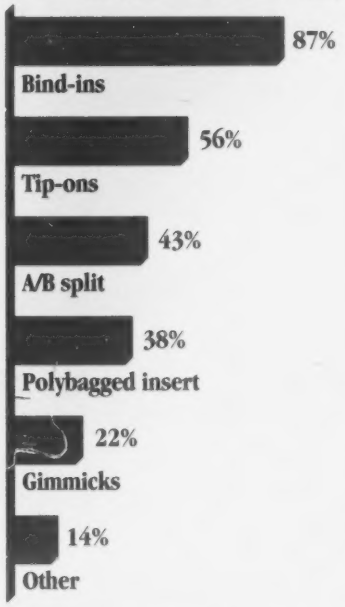
Percent increase/decrease in 4-color in 1991

Size may be down, but color use is up—way up. *Publishers are using color to create excitement, as 30 percent increased their four-color use in 1990. What about 1991? A little less bullish: 16 percent say they plan to increase four-color.*

Average percent of 4-color pages, including covers, in 1990

Four-color pages are on the rise too, *as 65 percent of respondents produce magazines that run over half of their pages with four-color.*

Types of inserts offered to advertisers



Most publishers haven't seen an increase in the number of inserts *running in their magazines, but a majority (87%) are offering bind-ins and tip-ons (56%).*

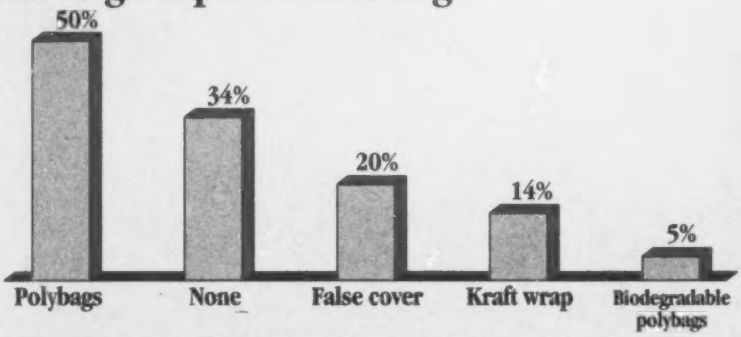
Q. How long have you been with your current printer?

A. An average of 7.2 years.

Q. If your contract is up for renewal, what increase is your printer requesting?

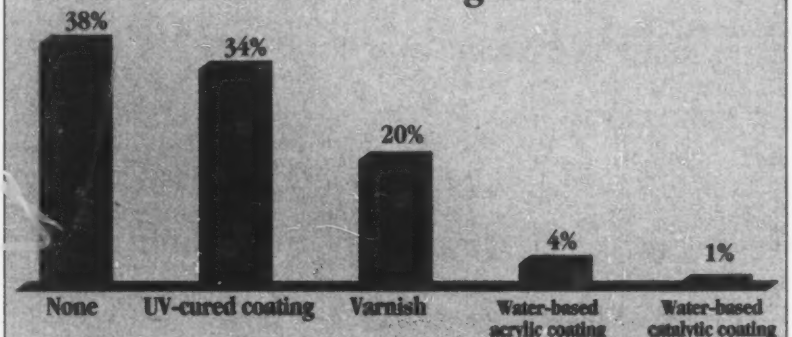
A. 3.5%

Mailing wraps: A mixed bag



Despite the increasing environmental concerns, *polybagging is still the wrap of choice. Of the 17% who are considering switching, most said they would replace polybags with biodegradable polybags, kraft wrap, or no wrap at all.*

Cover finishes: What's being used



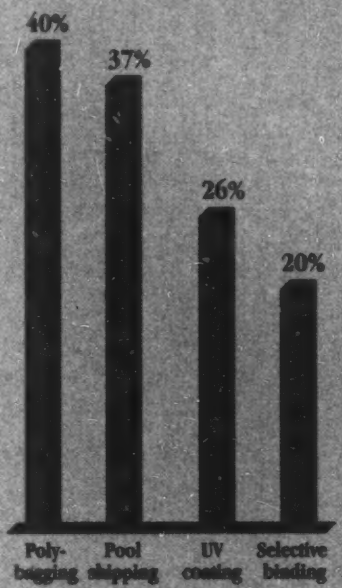
Environment vs. appeal. *14 percent of respondents said they were considering a switch in cover finishes this year. Half hope to move away from UV coating (for environmental reasons) and half hope to begin using it (for better newsstand appeal).*

Technology: A cure gone begging?

Here are the most popular high-tech and service options used last year: The percentages are surprisingly low.

% using	Feature
28	Multiple (additional) postal entry points
20	Pool shipping for multiple postal entry points
17	Co-mailing
17	Selective binding for demographic splits within single pre-sorted mailing list
14	Ink-jet printing
9	Alternate delivery for subscriber copies

What do publishers want?



We asked publishers what services *they find "essential" in a printer. In addition to the above, 13 percent said that their printer not offering co-mailing would be reason enough to consider changing printers.*

Production inflation to reach 5.1%

We asked respondents what increases they were budgeting in 1991 for various costs. Their answers:

% increase budgeted	Area of Expense
2.8	Printing
4.1	Ink
2.0	Binding
11.5	Distribution
3.8	Paper
5.1	Total production

Methodology

Of the 982 production executives who received questionnaires, 274 responded, resulting in a 28 percent overall response. Of these, 266 surveys contained sufficient information to be tabulated. Business magazines represented 43% of the respondents, consumer books were represented by 53%.

Cheap imports almost a thing of the past

But if ad market remains dismal, predicted price hikes may not materialize

by Cary Peyton Rich

In the wake of allegations of Europeans dumping paper and the duties that will probably be assessed, cheap imported paper may become more dear late this year.

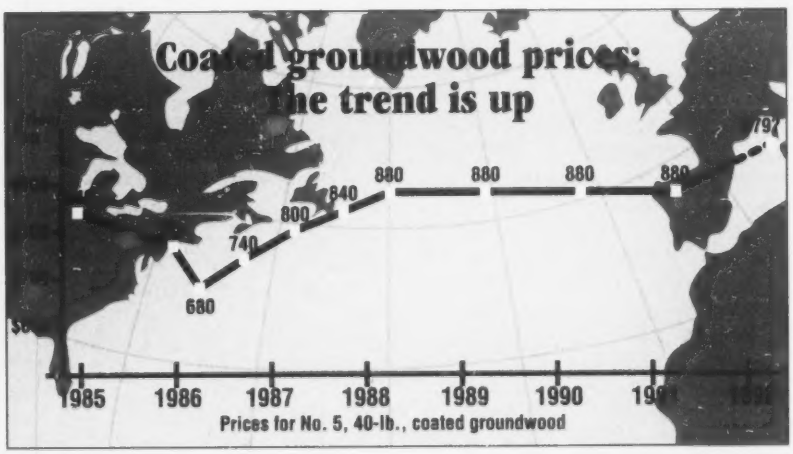
But to those few suppliers who have predicted that paper produced in this country and Canada will be on allocation as a result, a reality check is in order.

European paper producers from Great Britain, Germany, Belgium, France and Finland named in the American Paper Institute's anti-dumping petition may be assessed dumping duties as early as June. If imposed, those duties will likely force producers to increase prices, which could bring about a corresponding increase in demand for North American coated groundwood.

But print industry experts and printers say the current advertising slump, heftier postal regulations and the industry contraction will keep paper in plentiful supply, and could also keep a lid on prices. Jay Eliezer, a print industry consultant based in New York City, scoffs at the idea of allocations. "I think the paper will be there. The difference will be in the discounts."

"I can't possibly believe paper would go on allocation," confirms Quentin S. Jones, chairman of Hollywood, Florida-based R.D. Weiss Lithographic Company. "If anything, I think paper will get cheaper." Paul Mack, president of Mack Printing, states bluntly that "There's such an overcapacity of paper right now, I must confess, allocation would come as some surprise with the quite obvious recession in the publication industry."

What to do if these experts are wrong and actual shortages occur? Mack would urge customers to consider a switch in grades—thinking about those options sooner rather than later. Sometimes the alternates are used permanently, he says, rather than for the short term.□



JULIE MCWILLIAMS

The new postal equation

Postage rates up, basis weights down, quality in the balance

Publishers are changing grades and switching to lower basis weight paper in an effort to save on postage costs. Although some publishers have already downgraded, a greater number were waiting until the rates were announced before making a move. Now there's no more waiting.

Dropping basis weight is "the quickest move any publisher can make," says Rick Irwin, general manager/publication papers division of Gould Paper Co. "The second is to drop quality—move from a No. 4 to a No. 5 grade. Now we're starting to see people drop both."

Basis weights are dropping like stones, thanks to the United States Postal Service.

Dan Temple of Jaakko Poyry, paper consultants, says magazines already using very light weights will try even lighter papers, but that magazines using heavier paper won't try drastic cuts.

"A magazine using 32- or 34-lb. paper will probably try 30- or even 28-lb. paper," he says. "Heavier magazines, on 40-lb. paper or more, most likely won't drop to 34-lb. paper. Magazines on heavier basis weights are looking for quality."

Magazines switching have been very conservative, notes Irwin. "A lot of people go from a 45-lb. to a 43-lb.," he says. "Those same magazines might be 40-ib. users before the year is out."—*C.P.R.*